



THE UNIVERSITY *of* EDINBURGH

## Edinburgh Research Explorer

### Habitual entrepreneurship and transgenerational continuity in family business

**Citation for published version:**

Rosa, P 2008, 'Habitual entrepreneurship and transgenerational continuity in family business', 5th AGSE International Entrepreneurship Research Exchange, Melbourne, Australia, 6/02/08 - 9/02/08.

**Link:**

[Link to publication record in Edinburgh Research Explorer](#)

**Document Version:**

Peer reviewed version

**Publisher Rights Statement:**

© Rosa, P. (2008). Habitual entrepreneurship and transgenerational continuity in family business. 5th AGSE International Entrepreneurship Research Exchange, Melbourne, Australia.

**General rights**

Copyright for the publications made accessible via the Edinburgh Research Explorer is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

**Take down policy**

The University of Edinburgh has made every reasonable effort to ensure that Edinburgh Research Explorer content complies with UK legislation. If you believe that the public display of this file breaches copyright please contact [openaccess@ed.ac.uk](mailto:openaccess@ed.ac.uk) providing details, and we will remove access to the work immediately and investigate your claim.



# HABITUAL ENTREPRENEURSHIP AND TRANS-GENERATIONAL CONTINUITY OF FAMILY BUSINESSES

*Peter Rosa: University Of Edinburgh, Edinburgh, United Kingdom*  
*Waswa Balunywa: Makerere University Business School, Kampala, Uganda*

~

**Contact:** Peter Rosa, University of Edinburgh, Centre for Entrepreneurship Research,  
William Roberston Building 55 George Square, EH8 9JY Edinburgh, United Kingdom, (T)  
++44 (0) 31 650 3798, Email: Peter.Rosa@ed.ac.uk

## **ABSTRACT**

Much recent research has focused on the habitual entrepreneur, who establishes a group of businesses rather than one single firm, through a process of entrepreneurial diversification over time. This paper extends this concept to the “family business”, and demonstrates with case studies the occurrence of “habitual entrepreneurial families” who have developed a group of businesses through the entrepreneurial activities of their family members. Habitual family entrepreneurship can be conceived as a process of trans-generational renewal in which the transmission of attitudes and capabilities may be more important than the continuity of any single family business.

## **INTRODUCTION**

The family business, like most concepts in the social science is complex, and invites a range of definitions (Chua, Chrisman and Sharma, 1999). Most definitions see the family business as a business organisation, involving some degree of ownership, control and influence by members of the same family (e.g. Hollander and Elman. 1988; Degadt, 2003). Many variations on this theme have been suggested and debated, but the one factor that shares almost universal consensus is the observation that a family business is a business organisation or firm, which can have a life beyond its founding generation. It is commonly argued that the family business is the most common and “dominant business enterprise in both developing and developed countries, and plays a vital role both economically and socially in these economies” (Venter, Boshoff and Maas, 2003:1). The top family businesses regularly outperform their corporate counterparts. This has been shown in several independent US, UK and European studies (Anderson and Reeb, 2003). Its survival into subsequent generations is thus of some concern, particularly as only a minority survive beyond the founder’s generation, and less than 20 per cent are transmitted down to the third generation (White, Krinke and Geller, 2004). EU studies reveal that every year some 610,000 small businesses will change hands within the European Community, and that roughly one third of EU companies will close or change hands within a ten year period (European Commission 2004). The rate of attrition and transfer is predicted to rise in the next two decades due to the aging population and the decline in the birth-rate in most European countries. There will be more owners reaching retirement age, and fewer potential successors. It is estimated that at present 2.4 million jobs are affected, a figure which could rise dramatically.

There need for continuity of family businesses and reduction of attrition is thus an important policy issue. The literature on family businesses tends to stress two themes. The first focuses on why family businesses fail to transfer or survive into the next generation. The second is what makes successful family businesses excel at continuity. In terms of the former reasons for attrition include familiar themes such as:

- *managerial problems* (failure to manage the business competently, failure to plan ahead, failure to react quickly to change, failure to manage growth, especially when the business gets so large that outside corporate managers need to be bought in).
- *not managing the family*: there is a large set of issues relating to how the family cake is split, personality conflicts, the top person unwilling to let go; accommodating spouses and in laws; how to stop dispersion of ownership when families become large (after four generations, there can be well over 50 family members to accommodate.) Managing the family is usually considered to be as important to family survival as managing the business.
- *not managing the succession*: the assumption in much of the literature is that founders of family businesses normally wish to see their children continue it. The main problems are that they leave the succession planning too late, or fail to resolve conflicts surrounding the succession, or that the succession takes so long that the children are past retiring age too, and that grandchildren need to be considered. If the succession does not materialise, the business has to discontinue, or be sold. In many cases there is not necessarily any desire for succession in either children or parents or even both. Birley and colleagues (2001; 2002 in an international study of family businesses in the 1990s found that only a fifth of children intended to join the family business and that about a third of parents were not in favour of their children becoming involved with the business, and a further third were neutral.

In terms of continuity of successful businesses, it has been demonstrated that there are many examples of very old family businesses, the oldest in Japan going back to the 6<sup>th</sup> century AD (see Family Business Magazine, 2008).

<http://www.familybusinessmagazine.com/oldworld.html>.

These family businesses have found the secret of continuity. Part of their success is due to having evolved well defined systems of governance that regulate ownership and roles within the business and family (Blonden and Van der Hayden, 1999), they have the ability to renew and modernise their businesses. Many of the businesses have had to adapt significantly. For instance John Brookes and Sons, clothes manufacturers since 1541, had to abandon manufacturing altogether in the 1980s, and instead created an entrepreneurial development park in the firm's old mill buildings. They have found ways to achieve smooth and effective succession from one generation to another. One quality that is often stressed in older family businesses is the need for "stewardship", in which the family leaders hold the company in trust, rather than as a means for personal short term gratification. These old family businesses have a sense of their own history, have built up specialist family and managerial traditions that pass down through the generations. They have acquired over the years skills to prevent the family assets from fragmenting or eroding. They have had to develop mechanisms to concentrate the majority of assets for the successors, rather than for all the family, which can become large and prone to fragmentation after two generations. They have also needed to protect assets from the tax man, particularly in countries where taxation is used as a means to redistribute wealth. Finally there are skills of survival in times of extreme political instability. The strengths of a traditional family clan system to survival in uncertain times is described by Drucker in the context of China. "Survival often depended on the ability to shift one's money and one's business overnight to a distant cousin, without contract or anything in writing." (Drucker, 1995:178)

There has been recently an upsurge in interest in trans-generational renewal of family businesses (Habbershon and Pistrui, 2001). This has involved shifting the focus of interest from "stewardship" to entrepreneurship". In a stewardship approach the emphasis has been on survival and preservation, on understanding how families maintain prosperity and wealth from one generation to another through careful management of the family business, and of managing family succession and conflicts. In an entrepreneurial approach, however, the emphasis is on entrepreneurial renewal, in which family members of all generations are regularly looking for new business opportunities and adapting their business as new product and service streams are tested out and exploited. That is families in particular who have a strong strategic entrepreneurial orientation or cultural tradition of entrepreneurship or who demonstrate strong entrepreneurial behaviour (Lee and Peterson, 2000; Hall, Melin and Nordqvist 2001; Naldi *et al.*, 2007). In contrast to the "stewardship" approach, little is known about

entrepreneurial families, how entrepreneurship operates in different generations and what the processes and mechanisms are for passing down “entrepreneurial capital” from one generation to another.

Sharma, Chrisman, Pablo and Chua (2001:17) write that “the family business literature contains a plethora of studies about factors that could influence the succession process,” which could explain effective or ineffective succession. Again the underlying assumption of these studies is that the object of interest is a “family business organisation” that needs to be passed down. This paper looks at trans-generational renewal of family businesses from a different perspective, however, by drawing upon research on habitual entrepreneurs, which suggests that many successful businesses are on closer inspection a group of businesses that have arisen from the entrepreneurial activities of the entrepreneur. In many cases these business groups are not just the products of the activities of the founder entrepreneur, but may include contributions from other family members. This introduces the possibility that “habitual entrepreneurship” can be passed on across generations as a set of attitudes, skills and knowledge, which when combined with access to inherited capital, can result in a succession of new business ventures over time. Entrepreneurial renewal in this context is not just renewing the ability of successive generations to manage the family firm effectively, or to modernise methods of production, but rather to renew the overall family capital through starting new ventures over time and closing down those that are less successful. Under this model of family habitual entrepreneurship, the third generation of family members could still be in business together, but running entirely different businesses than those originally started by the founder. There is little research on entrepreneurial renewal, particularly in the context of habitual entrepreneurship. The current research aims to research this gap and help clarify which research issues are important. The paper aims to shed insights into “habitual family entrepreneurship” and entrepreneurial renewal, with better conceptualisation as the intended outcome. To achieve this it employs an inductive approach in which qualitative data from three countries are explored for new insights.

### *Theoretical Issues*

The literature on habitual entrepreneurs has grown substantially since Macmillan (1986) challenged researchers to pay them more attention. Macmillan defined an habitual entrepreneur as “someone who has experience in multiple business start-ups, and is simultaneously involved in at least two businesses” (Macmillan, 1986:24). Since then Westhead and Wright (1998) have distinguished between serial entrepreneurs (those that start two or more businesses whilst closing each one in turn before starting the new one) and portfolio entrepreneurs (those that start two or more businesses but retain the businesses started). Over time portfolio entrepreneurs can build up substantial groups of businesses (Scott and Rosa, 1999).

In this literature the unit of analysis has tended to focus on the individual “habitual” entrepreneur, the agent responsible for the founding and development of the group businesses. There are different interpretations on how far habitual entrepreneurs adopt consistent strategies in starting new businesses, in particular how far group formation is no more than a managerial device to streamline management, or spread risk. A consensus is emerging that habitual entrepreneurs commonly have different motives when adding each business to their group, but that, in the main, new businesses are added as a result of entrepreneurial activity. Much of this activity is not formally planned, but can be a serendipitous process (Rosa 1998; Rosa and Scott, 2000). More recent research has established that the dynamics of groups established by an habitual entrepreneur are particularly complex, involving periods of entrepreneurial expansion, and periods of consolidation (Iacobucci and Rosa 2005). Once a group is established an habitual entrepreneur has to learn not only how to start a succession of new ventures, but also how to manage them. The process of consolidation may involve merging firms, selling firms, or even closing down less profitable ones.

Research by Rosa (1998) and Rosa and Scott (1999) demonstrated that some groups of firms resulted from the activities of entrepreneurial families rather than an individual. This has since been reinforced by research in Italy, which showed that many business groups were associated with families rather than individuals, and that dynamics of group formation involved not just family members, but also outsiders (Iacobucci and Rosa, 2003). Although the original founders are prominent in the creation and growth of many business groups, the influence of second and even subsequent family members is also

observable. This implies that the special entrepreneurial and management skills learnt by the habitual entrepreneur can be passed on to the next generation.

Habitual family entrepreneurship, can thus be conceptualised as a dynamic long term process of renewal, involving the regular creation of new ventures and the closure of failing ones. This fits in well with research on entrepreneurial dynamics and economic development. Reynolds, in a number of publications, has demonstrated that failure and “churn” is an essential component of the development process (e.g. Reynolds and Maki 1990; GEM 2001). Economic development is most marked where high rates of business start-up coexist with high rates of closures. The last four decades have been characterised by a business environment where innovation and change has been accelerating (Drucker, 1995). Any firm that fails to adapt to rapid change and access new opportunities is likely to face long term survival problems. One of the reasons that so few “family businesses” survive into the third generation may be less likely to do with problems of succession, and more to do with the viability of the business being passed down as the need to change accelerates. In this scenario succession problems may be the symptom rather than the cause of attrition and closure.

The traditional family business that survives across generations with little change, is likely to be an oddity in the 21<sup>st</sup> century, and though a model of “stewardship”, as discussed earlier, is unlikely to be a model of entrepreneurial dynamism. An analysis of the world’s oldest family businesses is instructive. Most are modest, elegant, admirable and consistent performers, specialising in goods and services that have a high reputation for exclusivity and quality, but which are seldom innovative and high growth. Europe’s oldest family businesses, for example, tend to be wineries and olive producers, taverns and inns, manufacturers of exclusive craft designer goods (church bells, hats, guns, glassware, artist paper). None would trouble the list of Europe’s fastest growing or best performing companies. Any economy dominated by family businesses with strong continuity in the types of goods and services sold would, most likely, be a routine and slow growth economy (see Rosa, 2006).

In order for family businesses to be dynamic requires mechanisms where both innovation and failure have a chance to play a part. The family must be able to close down or modify products and services that are not doing well, and to start new ones that have higher commercial potential. Commonly such processes occur either through diversification practices within a single firm, or through diversifying into a portfolio of different firms. If the “family business” is a group of businesses rather than a single firm, then individual businesses can start, grow or close, and the family group can dynamically realign itself to new market opportunities without risking the overall capital. . Under this model constant vigorous renewal is possible, as long as the entrepreneurial dynamism and managerial competence of the family continue over the generations. Under this logic it is no longer the “family business firm” that is being passed on, but the capital of the family, invested most visibly in the current mix of companies in the group, but less visibly in the knowledge, human and social capital invested in the family members across generations.

#### *Trans-generational transmission of habitual entrepreneurship*

With the traditional view of the family business as the organisational unit that is being passed down, family members of the new generation have to be socialised into playing an appropriate role in the family business. This may involve learning the skills needed to manage it and modernise it, how to share responsibilities with other family members and the existing work force, how to resolve family conflicts, and eventually take over the responsibility of leading the business. It is a process that most researchers agree, requires careful strategic planning. The reality is complex, because not all founders wish their children to take over, nor do all members of the new generation necessarily wish to join the family business. Many family businesses also have to contend with the influence of non family members of the firm. Finally not all family businesses are in industrial sectors that are amenable to involving families in their early years. Birley (2001) demonstrated in a 16 country survey of family businesses, that three main groups could be distinguished, a “family in” group that tried to involve their children from an early age, and who believed that successors should be chosen from the family; a “family out” group who believed the opposite, and “Family business jugglers” who did not have strong

views, and who tried to strike a balance between the needs of the family and the business. The conclusion was that family businesses differed widely from each other in their expectations and in the involvement and training of new family members to join and run the business.

Even this study with its large data coverage only covered what family business owners thought should happen. There is still a great gulf between this and what actually does happen. There are no major grounded empirical studies to date on socialisation processes within family businesses. Cox (1996:2), states, for example, that “family values and business values flow down the generations as certainly as rain fall from clouds,” but the empirical underpinnings of this view are still to be convincingly demonstrated.

In this paper we are not examining the transmission of knowledge, values and skills that make continuity of a particular family business organisation possible. Rather we are focusing on the transmission of a specific category of skills, those needed to habitually create and manage a succession of businesses and bring about entrepreneurial renewal over the generations. What these skills are still needs to be empirically established. However there are some ideas. Habitual entrepreneurs are skilful not just as sniffing out new opportunities, but also at evaluating them. The more they practice (Gibb 2003), the more wealth they create, the more opportunities come their way. One source of opportunities comes from the widening of awareness and contacts that result in successful experience of business. They mix more widely, and see a greater range of possibilities. A second source is other people, who, bring new ideas and propositions to the habitual entrepreneur. The more successful he or she is, the more people are likely to approach him or her. The ideas are subjected to a process of experimentation (Rosa and Scott 1999). They are piloted, often with novice partner entrepreneurs sharing the risk. If the idea goes well, they have the resources to expand rapidly and optimise profits. If it fails to do well, the idea is usually quietly buried and put to experience.

These kinds of entrepreneurial skills can be conceptualised as a form of “entrepreneurial capital.” This can be envisaged in two ways. The first, advocated by McGrath and MacMillan (2000), is a cultural mindset in which entrepreneurs intuitively seek out and pursue new business opportunities. Such a “mindset” may be mostly driven by inherited personality traits (the nature perspective) or perhaps more plausibly, be inherited through socialisation and the transmission of key social attitudes and values (the culture perspective). The second view of entrepreneurial capital, promoted by Gibb (2003), is one based on knowledge and practice. How to be entrepreneurial is a process that is learnt and perfected through constant practice and experience. Such knowledge can be nurtured, developed and even taught, and can be transmitted trans-generationally. The children of a successful habitual entrepreneur ought to share his or her enthusiasm for entrepreneurial experimentation, and also learn the knowledge necessary to put such enthusiasm into successful practice.

There has been no research that has looked specifically at whether, and if so, how entrepreneurial capital is passed on. Can these skills be transmitted through mechanisms such as example and apprenticeship? If so, how? Even if they can, do younger family members ever get the chance to learn them, or do they have to rediscover them for themselves? If this is so, then we would expect habitual entrepreneurial families to be patchy in their pluriactivity, with the emergence of a talented habitual entrepreneur occurring through luck rather than as part of a fundamental socialisation process.

The paper uses qualitative case data from three countries (Italy, Uganda and the UK) to explore the issues surrounding the creation and transmission of habitual family entrepreneurship. The approach is exploratory, in keeping with the fact that little is known about how these issues operate in practice. In summary the following questions will guide the analysis:

- Is the transmission of ownership and control of a specific business less important than passing on the attitudes and capability to renew existing businesses and start new ones?
- Does this process of “entrepreneurial renewal” leads to the emergence of “habitual entrepreneurial families” where groups of businesses are added to and consolidated in

response to external market conditions? How far can habitual family entrepreneurship be conceived as a “dynamic long term process of renewal” of the family businesses?

- Is there an entrepreneurial “mindset” and tradition that drives habitual entrepreneurs, and is this passed on? Children of habitual entrepreneurs should have more chances of learning entrepreneurial skills for two reasons: a) they are exposed to the direct experience of the starting up new businesses and not just the running of an established business; b) they can be directly involved in the start-up of a business (being backed by his/her parents).
- Is such entrepreneurial vigour normally a positive force for family business renewal and expansion? Or does it accelerate the break up of families as members find the capabilities to branch out independently?

## **METHODS**

For deductive research to be meaningful, theory must be highly developed and it must be possible to measure key concepts rigorously and accurately. On both counts, it is perhaps premature to apply a deductive approach to the study of habitual entrepreneurship in a family context. In view of the paucity of research in this area, we feel it is preferable to apply an inductive exploratory approach, seeking insights and better conceptualisation of this complex area of research.

All qualitative approaches differ from quantitative in the way data is collected (the former collects words, the latter numbers). However there are different traditions and forms of qualitative research (Gubrium and Holstein (1997) and researchers who have not taken into account these variety of forms have been criticised Silverman(1993). Our approach to qualitative research in this study is inductive rather than interpretivist (Bryman, 2001, p.264). Its objective is to eventually produce better concepts and theories that can be deductively tested, not just to increase understanding. Secondly it is not being pursued from a constructionist position, in which social factors are generated by the interaction of social actors. Our approach is naturalist, driven by the belief that there are external factors that exist independently of interaction to be discovered and understood. Our approach, therefore, approaches qualitative research from a classic inductive and positivist perspective.

The data was collected in the form of unstructured interviews. The original design was to conduct in depth interviews of ten family businesses with evidence of activities of habitual entrepreneurs from each of three countries, Italy, Uganda and the UK. It was also planned to conduct interviews within each business of different family members. In the event we have only achieved coverage of half the intended number of cases so far, and the conclusions reported in this paper could change significantly once the numbers are completed.

## **RESULTS**

### **A Classic Trans-generational Habitual Family: The Madhvani Family**

Before the first world war, Kenya and Uganda had only recently come under British colonial rule, and many job and business opportunities were opened up for Indians who were willing to emigrate. Pioneers would establish themselves and then send word to their families in India to join them. Muljibhai Madhvani, born in 1894, in Saurashtra India, immigrated in 1908 to Uganda to join his elder brother, Nanjibhai and his cousin, Vithaldas. He was offered a number of managerial positions in his cousin's thriving shops, but trading conditions deteriorated during the first world war, and his family had to branch into products which had a strong local market to sustain them. In the 1920s he established a sugar processing company of his own. By 1932 Muljibhai Madhvani became managing director of the family's four companies, Vithaldas Harridas & Co. Ltd., Uganda (Kakira) Sugar works Ltd., Nile Industries and Tobacco Companies Ltd., and Uganda Cotton Brokers Ltd.

After the recession of the post war period, the family partnerships were dissolved in 1947. Undaunted Muljibhai re-launched his business under the name of Muljibhai Madhvani and company. His business



grew and expanded to Kenya and Tanzania, by the 1950's a new sugar estate was well established and Muljibhai diversified into textiles and beer. By the time of his death in 1958 the group had become the largest commercial and industrial group in East Africa. He had five sons, who participated in the family businesses. He was primarily assisted by his eldest sons Jayant and Manubhai Madhvani. After his death his son Jayant Madhvani took over the helm of the Madhvani group, Jayant was joined by his brother Manubhai two year latter. By 1958, the group's companies had risen to seven, and by 1970 they owned and operated 70 companies. The Group had diversified from agricultural to industrial manufacturing; they manufactured soap, glassware, beer, agricultural chemicals, industrial chemicals, iron and steel among others. This pattern was repeated in Kenya and Tanzania. By that time the group employed 22,000 people in East Africa.

Jayant died in 1971, in the aftermath of the military coup by Idi Amin. The family was expelled in 1972 along with most other Ugandan Asians and lost their Ugandan companies. They returned to Uganda in 1984 after the fall of the Amin regime. At that time only about 5000 acres was under cane, sugar production had ceased and all associated companies were empty shells. Mayur Madhvani, Muljibhai's youngest son took over as chief executive officer while Manubhai was overall head of the Family. The group has had Mayur and Manubhai as joint Managing Directors and recently Manubhai retired and his son Kamleshi Madhvani has replaced him as joint Managing Director. The group today has 23 established businesses. Roni Madhvani son of Jayant manages the Hotel business, Nitin Madhvani is in the power sector, Amit Jayant's youngest son manages the metal business. The present arrangement is that the family of Muljibhai Madhivan (one of the 5 sons) owns the business and they all seat on the board of Kakira Sugar Works which is the nucleus of the business group.

The family business is over 100 years old. The highly successful second generation is still at the helm, and it has managed the business group for almost 50 years. The third generation has come into the business even the fourth generation is beginning to emerge. The children following the second generation owners have all been well educated; one of them has an MBA from Columbia in the USA. At the time of regaining the businesses in Uganda, in the late 1980's a family dispute developed. The wife of Jayant Madhvani along with her children attempted to take control of the business. Jayant was instrumental in the expansion of the group until his death in 1971. He was the leader of the family, the dispute however dissipated as Manubhai and Mayur took control of the business. It is difficult to get inside information in the family, however this family appears to be a modern Indian family which keeps some of the cultural tradition but has modernized. Different family interests are represented through share holding, how this shareholding is divided is unknown as of now. The Indian community keeps a network of friends and business contact, since the second generation is still in charge, and has equally introduced the third generation into the business the network that was used by the second generation appears to be in place and is being tapped.

### *Observations*

- The family, from the early 1900s has founded and operated a *succession* of businesses, which have risen and fallen with changing times. No single business has survived throughout this period. The early shops and trading businesses gave way to agricultural commodities (sugar, tobacco, cotton) servicing local demand. These were closed down by 1947, and the sugar business was re-launched by the one family surviving original family member. The group took off in the 1960s under the second generation, reaching 70 companies by 1971. All the Ugandan companies were lost in 1972, and the family started again in 1981. The new generation of 23 companies has some revived companies from the 1960s (the family sugar works is the family's symbolic home), but most of the 23 are new successful diversifications started after 1985 and are all new ventures and very modern companies (see Figure 1). The family have accessed business opportunities that have accelerated since the rehabilitation of the Ugandan economy began in 1985.
- Entrepreneurial vigour has been maintained and has accelerated well beyond the original founders, and has involved entrepreneurial involvement from three generations of the family.
- The fact that the family were able through entrepreneurial processes to establish a new business group when they had lost their previous companies through political adversity implies that their success is not due so much to availability of financial capital than to knowledge and social capital. The mechanisms of passing this entrepreneurial mindset, knowledge and social capital on to successive generations is highly developed in the family.

<b>Figure 1: The Madhvani group of companies established since 1985</b>	
Company	Description
Kakira Sugar Works (1985) Ltd.	Uganda's largest sugar company revived in 1985 after falling into ruin during 1970s troubles
Mwera / Nakigalala Tea Estates	One of Uganda's largest tea estates also revived
Mulbox Ltd	Mulbox is the largest corrugated packing unit in Uganda.
Associated Match Company (1985) Ltd.	Only matchbox company in Uganda
Kakira Sugar Works (1985) Ltd (Soap Div)	Manufacturers of laundry soaps and . Bio fertilizer for soya bean seed, groundnut and beans.
East Africa Glass Work (1994) Ltd	Distributors of glass bottles manufactured in Tanzania
Crown Corks (1994) Ltd	Crown Corks has an installed capacity of 320 million crowns per annum.
TV Africa	Leading Business Software Solution Provider in Uganda.
Kakira Sweet & Confectionaries	Major sweet (candy) manufacturer in Uganda
Kajjansi Roses Ltd.	Producers of cut flower using state of art infrastructure and facilities for export mainly to Europe.
East African Underwriters Ltd.	A professional insurance company offering a large diversity of non-life insurance covers.
Industrial Securities Services Ltd	Leading private security company in Uganda offering guard services, training and technical advice to clients. A recent innovation is training on counter terrorism.
East African Distributors Ltd.	Distributors for National Brand Air Conditioners.
Mweya Safari Lodge	Main lodge in Queen Elizabeth National Park, one of Uganda's primary wildlife tourist attractions.
Paraa Safari Lodge	Main lodge in Murchison's Falls National Park, one of Uganda's primary wildlife tourist attractions
Premier Safaris Limited	A regional air charter service for third party use.
Jinja Sailing Club Ltd.	Exclusive restaurant offering Indian, Continental and Italian cuisine. The club caters for banquets parties, conferences etc.
Steel Corporation of East Africa Ltd.	SCEA is a composite steel factory capable of producing steel billets, ingots, bars, rounds, nuts and bolts and fencing..
TPSC	Meets maintenance requirements for jets, turbo props and piston engine aircrafts as well as turbine and piston type helicopters (Group 3 and Group 6).
Excel Construction Ltd	A construction company, undertaking a wide range of construction activities from small refurbishments to major developments.
Madhvani Property Division	Residential/ Commercial properties for rent.
Muljihal Madhvani & Co.	Soap & Edible oil
Nile Breweries	One of Uganda's main lager breweries. Family owns a significant share.

### *Less developed habitual families*

Other cases did not fit in as well as the Madhvanis to the habitual entrepreneurial family model. The following cases reveal trends in this direction, but also some interesting deviations.

#### *Henry Begumisa. (not his real name)*

Henry Begumisa aged in his mid forties established a group of businesses in Kampala during the 1990s centred around the foreign exchange bureau industry. He founded and owns a large and successful FOREX bureau, and has a large share in a second which he helped a partner establish. Since then he has diversified to add value to his core businesses. He has established a security company, to safeguard the movement of money, a travel agency, a haulage company and finally he is trading in real estate. His strategic goal is to open his own bank. He has established extensive business and social networks, and is the Chairman of the Uganda Forex Bureaux Association. All the businesses he founded are in growth sectors of the Uganda economy. Herbert came out during interview as very opportunity conscious, and a shrewd evaluator of potential opportunities. He also had the practice and expertise to pursue them without compromising the viability of his existing businesses. His travel company, for example, was becoming burdensome to manage, and he was in the process of selling it. At the time of the interview he was both consolidating and expanding his business group.

His grandfather was well connected in the Bugandan kingdom, and established thriving and diverse farming businesses in the 1950s and 1960s. These included the biggest cocoa producing estate in East Africa, a cattle ranch, and “5 square miles” of coffee. His father, less entrepreneurial than his grandfather, helped to run the agricultural estates, and joined the Ugandan civil service. Henry rejected the opportunity to serve and apprenticeship in the family businesses, and instead went to University to study commerce. It was this that gave him the knowledge to open his first FOREX bureau. At first sight there appears to be a trans-generational link in terms of having access to both family capital and in being exposed to an entrepreneurial culture epitomised by the exploits of his grandfather. Herbert, however, pointed out that his grandfather married several wives, and he had over twenty half-brothers and sisters. He had little contact with his rural branch of the family and had received little financial help, apart from helping him with fees during his schooling and University education. His attitude towards his own children is not geared to developing them for an entrepreneurial career. He is educating his children to as high a level as possible, and uses his close family to manoeuvre ownership for his group of businesses (his wife and children appear as co-owners in some of his businesses). However he was adamant that he did not wish them to become involved with the day to day running of the businesses. Apart from self-confidence that may have come from having been a member of a successful local business and landed family, it is difficult to see how any real entrepreneurial know how could have been transmitted to him from his grandfather.

#### *The Ralph Family, Scotland (not their real names).*

In the 1960s the founder, Jack Ralph, established a group of four Sony electronic retail shops in towns near Glasgow. He was attracted to living in a rural area, and bought a farm. This was not just a good business opportunity, but offered possibilities of tax breaks which were available to farmers at that time. He developed a horse breeding and exporting business on the farm, and eventually passed it on to his daughter to run. In the meantime he had become disillusioned with the profit margins of the shops, and with his son searched for a better business opportunity. They decided to move into the construction of flat roofs, having bought a license for an innovative new waterproofing process. He sold the shops to finance this venture, the new business took off, and he and his son prospered. By the end of the 1990s his son was bored with the business, and was looking for new opportunities. He started a property valuation venture, which was only moderately successful. This was his second independent venture of his own. He had started a business manufacturing electronic timing devices for show jumping events, which was also moderately successful, but which he eventually was forced to close.

In this case, the father was the driving entrepreneur, and he had succeeded in establishing a modest but thriving little group of businesses. His son had emulated him, and even gone into partnership in the family's most successful venture. He had clearly gained self-confidence. He was not afraid to start and try out a new additional venture. However he lacked his father's overall ability to make a venture succeed.

*Entrepreneurial renewal as a divisive or independent force.*

There are two Italian cases where habitual entrepreneurs developed a business inherited from their parents and renewed them by the setting up new companies and diversifying activities. In both cases the second generation was composed of two brothers who subsequently split up the business group, because of contrasts in the strategic orientation. These cases show that the trans-generational passage is made difficult not necessarily because children do not have the same entrepreneurial attitudes or skills of their parents (as in the Ralph case above), but because there are too many of them who want to control the business. In the case of a business group the potential problem arising from conflicting heirs can be mitigated or solved by assigning one or a few business to each of them. This could result in time of the complete separation of the divided elements of the group.

*The Manfredi Group: producing bars' furniture, office furniture and refrigerated ice-cream display cabinet (Name changed)*

The first company was founded at the beginning of the '60 by the father of the present owners (two brothers, both interviewed). One of the brothers entered immediately in the business while the second spent some more years outside the company to graduate in engineering. The first activity of the company was the design and manufacturing of bars' furniture. Subsequently other companies were set up producing refrigerated ice-cream display cabinet. In 2000 the group was divided because of contrasts between the two brothers. The older one wanted to maintain an artisan-like type of production mainly devoted to the Italian and the European markets. The other brother wanted to introduce a more standard production and internationalize distribution and production on a global scale.

The first brother retained the ownership of the company producing bars' furniture and office furniture (which is more suitable for artisan-style production) while the second concentrated on the refrigerated ice-cream display cabinet for which he is trying to become a global leader. The differences in vision and strategic orientation were primary factors in the split up of the group, but there were others, related to a problem of involving the four sons of the two brothers. The younger brother wanted his son to acquire a pre-eminent position within the group because of his recognized better managerial attitudes and skills. The older brother wanted all the cousins to share equal positions within the group. The two groups even though now independent are still viable habitual entrepreneurial companies in their own right.

*The Ginelli Family Group- producing paper bags and shoppers (name changed)*

The original company was founded in 1947 by the father of the present owner. In 1975 and 1976 the two sons of the founder entrepreneur were involved in running the company that, up to that point, was a single business company producing cement paper bags. After the entrance of the two sons several new companies were created or acquired in order to expand in different segments of the market (paper bags for the food industry, shopping bags, etc.). Both sons were highly entrepreneurial in their attitudes. In 1990 a holding company was created to control the several companies in the group. In 1997 the two brothers decide to separate by splitting the group in two sub-groups: one with the companies operating for industrial applications (cement, food industry, etc.); the second with the companies operating for the distribution (retail, distribution chains, etc.). One of the reasons for splitting the group was the fact that one brother has two children and the other brother has four children. In order to reduce the problems of involving so many people in the management of a single group they decided to divide it so that each family could manage the generational passage in an easier way. In this case differences in strategic orientation were much less important than coping with involving their children.

*Aga Sekalala and son*

Aga Sekalala in 1973 applied for and secured a loan of UG SHS 3.5M from the Libyan Arab Bank which he used to set up a farm. He started with a sugar plantation on the land he had bought and he was producing sugar molasses which he sold to the local market. The factory and the plantation was destroyed by the Idi Amin war of 1979, after the war he re-started the business and diversified into growing and marketing Vanilla, he thereafter decided to try Poultry Farming.

Ugachick Poultry Breeders Ltd, was established in 1991 and began operations in 1992. The farm complex includes a breeder farm (broilers and layers), hatchery, feed mill, broiler farm and processing plant. Sekalala has started other businesses including a hotel (Lions Hotel) which is now closed. An Agricultural implements and chemical supplies Company, a Vanilla processing Company and a Shopping Mall. He is on the road to becoming a successful habitual entrepreneur

His son Aga Sekalala Jr. was trained as a chemical engineer in the United States of America where he received a Bachelor's of Science Degree in Chemical Engineering with Minors in Economics. He returned to Uganda in 1989 to join the family business, and was active in the establishment of Ugachick. Instead of carrying on with his father, Aga Sekalala Jr decided to establish his own businesses instead. He launched projects with other people namely Radio Simba one of the popular radio stations and Club Silk a popular night Club. In an interview with Aga Sekalala Senior in 2005, he regretted that while he wanted his children to be more active in business, they actually were not and they preferred to do their own businesses. Ugachick is a big business and there is no family member in its top management, he employs professional managers in the business. His view is that for the continuity of the company he will float shares on stock exchange and that is how he expects the business to survive after him.

We re-interviewed Sekalala Senior in early 2007. His son's businesses had failed to take off as well as they seemed to be doing in 2005. Gradually his son had begun to ask for advice and support from his father, and the two are now working much more closely. His son is on the way to becoming a successful habitual entrepreneur in his own right, but has need his father's help. This case raises the intriguing possibility that much entrepreneurial knowledge may be being passed on after the children have started businesses, not before.

## CONCLUSIONS

This paper represents the first attempt to study habitual entrepreneurship from a family rather than individual context. The literature on habitual entrepreneurs has demonstrated that the creation of a succession of businesses is often an entrepreneurial process. This is associated with a mindset which is opportunity driven, and with a set of skills that permit the entrepreneur to evaluate and experiment with business opportunities without risking his overall capital. These skills can be learnt and improved with practice. An equally important part of this process is consolidation, the ability to sell on or discontinue businesses which are performing less well. This enables the habitual entrepreneur to adapt his or her business interests to changing opportunities and threats and is particularly relevant to the rapidly changing innovative and volatile business environment.

Does this process happen in a family as well as individual context? The Madhvani case study illustrates that it can. From its first businesses in the early 20<sup>th</sup> century in Uganda, three generations of the family have consistently set up streams of new ventures, and have also lost them too when faced with economic and political adversity. The most dramatic of these cycles was the growth of the group from 7 to 70 companies between 1950 and 1971, and the loss of them when Idi Amin expelled the East African Asians from Uganda and nationalised their assets. Yet between 1985 and 2005 they have re-grown the group from scratch to 23 companies, in a wide variety of industrial sectors.

We lack the data yet to explore in detail the entrepreneurial attitudes and skills of the family members of this group, but the available data suggest that the family has established a system of socialisation that has succeeded in transmitting values and skills that lead to energetic rates of entrepreneurial renewal within the group from one generation to another. There is no evidence of any generation becoming comfortable and living off the proceeds of its inheritance.

An important observation of the Madhvani case is that no single business has been transmitted over the whole period of the family's residence in Uganda. Where entrepreneurial renewal follows a path of new venture formation and consolidation, therefore, we would expect the transmission of ownership and control of a specific business to be less important than passing on the attitudes and capability to renew existing businesses and start new one. In a quickly changing business environment, starting new ventures and testing the market are arguably more effective strategies than seeking to continue a single long standing business, which is probably at the end of its business cycle. The concentration of

family business researchers with business succession and continuity may thus need rethinking. Succession will always remain an important social issue for individual families, but the economic importance of single business continuity is something to be debated.

The inability of the conventional single business succession approach to family businesses to address “churn” and failure also needs re-examining from the point of view of family habitual entrepreneurship. Failure, which as Reynolds and Maki (1990) have shown, is important to economic dynamism, is much more positively accommodated in a model of family habitual entrepreneurship than it is in a model based on single business continuity.

The existence of habitual entrepreneurship in succeeding generations implies that the necessary mindset and skills are being transmitted across generations. However not all our case studies supported this. The Begumisa case demonstrated that the first and second generations were not strongly bonded in any sense that could imply direct socialization of business attitudes and skills, though coming from a successful business family tradition did have some impact in terms of instilling self-confidence and social standing. In the Ralph case the son seemed to have gained the confidence to launch new ventures, but not the skills to grow them quickly and competently. This pattern appears to be born out in the Sekalala case too- the son also had the confidence to launch new businesses, but in the end after a period of stubborn independence, needed his father’s skills to grow them.

Entrepreneurial vigour appeared to be normally a positive force for family business renewal, with fathers, and brothers combining well to expand the business group. There were cases, however, where independent visions and strategies emerged leading to family break ups. In the Sekalala family, the son left the thriving family businesses established by his father to set up his own businesses independently (though this independence was short lived). In two Italian cases the hitherto successful habitual entrepreneurial family coalition split up the group to go their own way. It should be noted, however, that in all of these cases each family member ended up with a viable business group of their own, which formed the basis for further expansion. The net economic consequences were positive.

## REFERENCES

- Anderson, R.C. and Reeb, D.M. (2003) “Founding-family ownership and firm performance: Evidence from the S&P500. “ *Journal of Finance* Jun2003, Vol. 58 Issue 3, 1301-1327
- Birley, S. (2001) “Owner-Manager Attitudes to Family and Business Issues: a 16 Country Study.” *Entrepreneurship, Theory and Practice*, Winter, 63:75.
- Birley, S. (2002), “Attitudes of owner managers’ children towards family and business issues.” *Entrepreneurship, Theory and Practice*, Spring, 5-19.
- Blondel, C. and Van der Haden, L. (1999) “The Wendel Family: Affectio Societatis (A) – The storey of a French Industrial Dynasty (1704-1976). Research Case no. 09/1999-4784, INSEAD, Fontainebleau, France.
- Byman, A. (2001), *Social Research Methods*, Oxford: Oxford University Press.
- Chua, J.H, Chrisman, J.J. and Sharma, P. (1999), “Defining The Family Business By Behaviour”, *Entrepreneurship Theory and Practice*, 19-32.
- Cox, E.S. (1996), *The Family Firm as a Foundation of our Free Society: Strengths and Opportunities*. The Cornell University Family Business Research Centre Institute: Brofenbrenner Life Course Center.
- Degadt, J. (2003), Business family and family business: complementary and conflicting values. *Journal of Enterprising Culture*, Vol. 11(4), 379-397.

Drucker, P.F. (1995) *Managing in a Time of Great Change*, Oxford: Butterworth Heneimann

European Commission (2004) *Helping the Transfer of Businesses*: EUROPEAN Commission EnterprisePublications:  
[http://europa.eu.int/comm/enterprise/entrepreneurship/support\\_measures/transfer\\_business/transfer\\_brochure.pdf](http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/transfer_business/transfer_brochure.pdf) (2004).

*Family Business Magazine* (2008) « *The World's Oldest Family Businesses* »  
<http://www.familybusinessmagazine.com/oldworld.html>.

Gibb, A.A. (2003) keynote speech, Durham University Conference on New Venture Formation in the 21<sup>st</sup> Century, October 2003.

Gubrium, J.F. and Holstein, J.A. (1997) *The New Language of Qualitative Method*, New York: Oxford University Press.

Habbershon, T. and Pistrui, J. (2001), "Enterprising Families Domain: Family-Influenced Ownership Groups in Pursuit of Transgenerational Wealth", *Family Business Review* 15 (3), 223–237.

Hall, A.; Melin, L. and Nordqvst, M. (2001) "Entrepreneurship as Radical Change in the Family Business: Exploring the Role of Cultural Patterns", *Family Business Review*, 14(3), 193-208.

Hollandar, B.S. and Elman, N.S. (1988) "Family Owned Businesses: an emerging Field of Inquiry". *Family Business Review*, Vol. 1, 145-164.

Iacobucci, D. and Rosa, P. (2003) "The Process of Business Cluster Formation by Habitual Entrepreneurs: Entrepreneurial Dynamics and Organizational Setting", *23<sup>rd</sup> Annual Entrepreneurship Research Conference, Babson College*.

Iacobucci, D. and Rosa, P. (in press) "Growth, Diversification and Business Growth Formation in Entrepreneurial Firms." *Small Business Economics*.

Lee, S.M. and Peterson, S.J. (2000) "Culture, Entrepreneurial Orientation and Global Competitiveness", *Journal of World Business*, 35(4), 401-416.

MacMillan, I. (1986), "To really learn about Entrepreneurship, Let's Study Habitual Entrepreneurs", *Journal of Business Venturing*, Vol. 1(3), 241-243.

McGrath, R. G. and MacMillan, I. (2000) *The Entrepreneurial Mindset: Strategies for Continuously Creating Opportunity in an Age of Uncertainty*, Boston: Harvard Business School Press.

Naldi, L.; Nordqvist, M.; Sjöberg, K.; Wiklund, J. (2007) "Entrepreneurial Orientation, Risk Taking, and Performance in Family Firms" *Family Business Review*, 20 (1), 33-47.

Reynolds, P.D.; Camp, S.M.; Bygrave, W.D.; Autio, E. and Hay, M. (2001): *The Global Entrepreneurship Monitor, 2001 Executive Report*, London Business School and Babson College.

Reynolds, P.D. and Maki, W. (1990), *Business Volatility and Economic Growth*, Final Project Report, U.S. Small Business Administration, Contract SBA 3067-0A-88

Rosa, P. (1998), "Entrepreneurial processes of business cluster formation and growth by habitual entrepreneurs," *Entrepreneurship, Theory and Practice*, Vol. 22 (4), Summer, 43-61.

Rosa, P. and Scott, M. (1999) "The Prevalence Of Multiple Owners And Directors In The SME Sector: Implications for Our Understanding of Start-Up And Growth," *Entrepreneurship and Regional Development*, Vol. 11, pp. 21-37

Rosa, P. and Scott, M. (1999) "Entrepreneurial Diversification, Business Cluster Formation, and Growth," *Environment and Planning "C": Government and Policy*, Vol. 17, 527-547.

Silverman, D. (1993), *Interpreting Qualitative Data: Methods for Analysing Qualitative Data*, London: Sage

Ventner, E.; Boshoff, C. and Maas, G. (2002), "The Influence of Relational Factors on Successful Succession in Family Businesses: A Comparative Study of Owner-Managers and Successors," *South African Journal of Business Management*, Vol. 34(4), 1-13.

Westhead, P., & Wright, M. (1998). "Novice, portfolio and serial founders: Are they different?" *Journal of Business Venturing*, 13, 173-204.

White, W.S.; Krinke, T. and Geller, D. (2004) "Family Business Succession Planning: Devising An Overall Strategy". *Journal of Financial Services Professionals*, May, 67-86.